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Learning among Joint Venture Sophisticated Firms

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LEARNING AMONG JOINT VENTURE SOPHISTICATED FIRMS

Abstract

This paper explores the role of organizational learning in four firms, each having over thirty years of joint venture experience. Comparative analysis of these firms, two American and two European, reveals patterns in how the learning occurred and in what learning occurred.

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INTRODUCTION

More firms are utilizing joint ventures for the first time to increase their strategic capabilities and global competitiveness. Yet the use of cooperative alliances among firms, in particular, joint ventures, are controversial topics both to academics and practitionerss (Pfeffer & Salancik, 1978; Pennings, 1981). Strategic and international management theorists have studied individual joint ventures to determine the reasons for formation, the factors for success and the cultural implications (Franko, 1971; Killing, 1982; Stopford & Wells, 1972). Economic analysis has attempted to provide economic rationales for joint ventures and the impact on research and development (Berg, Duncan, & Friedman, 1982; Harrigan, 1985; Hladik, 1985; Pfeffer & Nowak, 1976). Prior studies have not led to a greater understanding of the joint venturing process from a corporate viewpoint nor of the learning that has accumulated from past experiences. Thus, for strategic management a critical question remaining is to what extent firms have learned from this process and whether joint venturing contributes to a firm's strategic capabilities.

This study documents the learning that has occurred in firms that have been successful at operating multiple joint ventures in an international context. It seeks to determine how-these firms developed new programs and structures, innovated, and created new frames of reference in order to adapt and to learn. It builds upon the work of Chandler (1962), Cyert and March (1963), and Miles (1982) who have addressed the learning process in complex organizations as they coped with environmental stress. It attempts to fill the gaps in the research on joint ventures by exploring how joint venturing experiences have increased the competitive edge of the parenting firms. For our purposes, a joint venture (JV) is considered to be an independent entity formed by two or more parent firms.

The term "learning" refers to the development of insights, knowledge and associations between past actions, the effectiveness of those actions, and future actions (Fiol & Lyles, 1985). Learning is the process in which growing insights and successful restructuring of organizational problems reflect themselves in structural elements and outcomes (Chandler, 1962; Chakravarthy, 1982; Hedberg, 1981; Miller & Friesen, 1980). Hence, learning is both action outcomes and changes in the state of knowledge. When seen in a learning context, a host of issues about joint venturing activities may be better understood by both the researcher and the practitioner.

Longitudinal studies in the strategic management field are rare. Rarer yet are research studies that aim to understand the learning that takes place as firms attempt to survive and change under dynamic environmental conditions While organizational learning has recently been identified as important in strategic management, it has received remarkably little attention by researchers. For these reasons, this study is exploratory in nature and will attempt to allow the important issues to emerge from the data (Glaser & Strauss, 1967).

The paper addresses the issue of <u>whether</u> learning occurred in joint venture experienced firms, <u>how</u> it occurred, and <u>what</u> was learned. It represents a subset of an ongoing research project on JV sophisticated firms. Four firms two American and two European, were chosen to participate in the study based on their extensive JV experience. Appendix I gives a summary description of the firms. The paper begins by identifying the conceptual framework used to assess the learning patterns. It then presents the results of interviews conducted with each firm on the firm's joint venturing experiences and what has been learned. Finally, implications are suggested.

THE LEARNING FRAMEWORK

Organizational adjustment is an essential element of a firm's ability to survive and to sustain competitiveness over time. Fiol and Lyles (1985) suggest that it is necessary to separate mere adjustment decisions from deeper changes, such as in the belief structures, values, and norms. They argue that learning occurs at two levels, higher- and lower-. Lower-level learning may be apparent from observing the actions that are taken and the structural changes that are made. On the other hand, higher-level learning represents changing associations, frames of reference and programs that beg a methodology that analyzes the more in-depth functioning of an organization. In order to study learning in JV sophisticated firms, it is necessary to look not only at the way the JVs were implemented but also to examine the attitudes and values of the management.

Figure 1 represents the framework for determining if learning occurred and what learning occurred as a result of these joint venturing activities. The figure shows the interrelatedness of lower-level and higher-level learning and the roles that unlearning and experimentation play in creating new learning. Each of these will be discussed below.

Insert Figure 1 about here

Levels of Learning

Lower-level learning. Lower-level learning is a result of repetition and routine and involves association building. Cyert and March (1963) identify standard operating procedures or success programs, goals, and decision rules as illustrative of learning based on routine. It occurs in contexts that are well understood and where management thinks it can control the situation (Duncan, 1974). Two types of lower-level learning will be discussed below: success programs and management systems.

Success programs. Organizations that exist for any length of time develop standard methods for handling repetitive decisions that become standard operating procedures. These are successful methodologies that have worked in the past, and organizations resist changing them. They can be quickly utilized rather than reassessing the decision situation each time it arises (Cyert & March, 1963).

Management systems. Galbraith (1973) suggests that firms will also develop management systems to handle their information processing needs in repetitive, unchanging situations. The management systems include the policies, hierarchies, rewards, and administrative systems that reflect how the organization has learned to handle reoccurring situations. It is generally traumatic for the organization to restructure or to implement new management systems (Cyert & March, 1963).

Higher-level learning. The adjustment of overall missions, beliefs and norms is higher-level learning. These have long term effects and impact the whole organization, not just the joint venture or a division. Over time, every organization faces the need for renewal and for reanalysis of its mission and basic capabilities. Evidence suggests that higher-level learning often results in new frames of reference, new skills for problem formulation or agenda setting, new values, or unlearning of past success programs (Lyles & Mitroff, 1980; Miller & Friesen, 1980; Starbuck, 1983). Three types of higher-level learning will be discussed next: discrimination skills, unlearning, and innovation.

Discrimination skills. An organization that can utilize different success programs and management systems for different situations has learned to discriminate. In other words, higher-level learning includes the ability to discriminate among different decision situations and to choose appropriate behaviors or actions for each situation.

Unlearning. Firms that can unlearn and reframe their past success programs to fit with changing environmental and situational conditions will have a greater likelihood of survival and adaptation (Hedberg, 1981; Starbuck, 1983). Unlearning is particularly important at the strategic level where each decision situation may be unique and where past success may not be an indication of future success. Miles (1982) argues that negative performance feedback precipitates the search for new methods for handling decisions and problems. Hence, unlearning is triggered by mistakes, failures, or poor performance.

Innovation or experimentation. The ability to develop fresh approaches to situations or problems indicates a new dimension to higher-order learning. Experimentation may generate conceptual leaps in the development of associations and may result in the changing of the old success programs or norms. It represents a disassociation with the reinforcement of past behaviors and a reaction to the momentum that builds up (Starbuck, 1983). Innovation or experimentation may be closely tied to unlearning and is necessary for organizational renewal and the development of new capabilities.

This study describes the learning that is reported by the upper management of four JV sophisticated firms. It determines whether lower- and higher-level is reported and what patterns emerged. Next the methodology will be discussed.

METHODOLOGY

Four firms were selected based on their long histories with joint venturing and their current involvement in multiple JVs. Each has at least thirty years JV experience, at least twenty ongoing JVs, and experiences with a variety of JV configurations in numerous locations.

A triangulation of data collection methods was used to query each firm about its JV experiences, about specific JVs, and about the learning that occurred. In-depth interviews were conducted with corporate management, staff and line management and with the JV management. At least eight people were interviewed at each firm, with the maximum number being about forty. The interviews were conducted in the United States and in Europe and lasted an average of two hours. The companies and the individual managers were very cooperative and allowed the researcher to return for multiple interviews. In this manner, the researcher had the opportunity to raise additional questions, to clarify certain events, or to probe deeper regarding an event. To verify the verbal reports, two other kinds of data were necessary: publicly available information (such as annual reports, newspaper clippings), and company archival data (such as minutes from board meetings, memos, etc.).

The interviews were semi-structured, asking each participant to reconstruct his/her personal involvement in JVs, the historical evolutions of the firm's JV strategies, and the factors affecting future JV decisions. Questions regarding past joint ventures were straightforward such as asking about the reporting or management structures, the amount of involvement of the parent firm in the JV, and the successes/failures.

Data from the interviews were coded and were verified by the archival data, the person interviewed, or other informants. Alternative viewpoints about events were identified and served as probes for later interviews or were verified by the other data.

This methodology is appropriate because information about a firm's learning is not available outside that firm, it requires an in-depth analysis, and learning is a lagged phenomenon. Although the sample size of four firms is small, an in-depth analysis of each firm was possible. The interviews built statements based on reconstructed logic, but the events could be verified by checking them in the formal reports or external documents. Statements of learning were perceptual and subject to individual biases and judgments; however, the use of multiple informants helps to minimize this bias.

RESULTS

Each firm was analyzed to determine its JV approach based on the interviews, the detailed information about specific JVs, and the archival data (Table 1). The firms varied between allowing the JV decentralized control versus centralized control from the parent. Three of the four firms licensed their technology with the JVs, but one firm licensed its technology but also received technologies from its partners. Three firms were willing to take minority positions, and all of the firms wanted their partners to have an active part in the management of the JVs. Each also said that they would prefer wholly-owned subsidiaries to JVs. However, JVs were a necessary component of their global competitiveness. Next the analysis of the learning framework is presented.

Insert Table 1 about here

Success Programs/Management Systems

The two types of lower-level learning represent ways of doing things that were successful in the past. The research looked for decision rules or ways of handling JVs that are repeated and worked well and for structures, reporting systems, management methods, etc., that were repeated across the JVs.

Two firms said there was an usual way of handling JVs and two firms said there was not. Of the two "yes" firms, each had different approaches to its success program. C1's approach was decentralized, allowing each JV to make important decisions about its operations but to provide guidance from the parent corporation. C1 provides the technology but no management contracts. It maintains control of the JV through informal means such as socialization of the management and low turnover among the management. "Get good people and give them freedom" was the rule.

On the other hand, C2's usual way is to have 50% equity, not to participate in the management, and to maintain control over the technology. The management of C2 claim that this is changing. One person said, "There was a usual way, but it is changing. We were not ready to place our people in a JV. We wanted our 50% equity position. Now we are willing to place our technology into minority positions wherever new opportunities are coming."

Both firms who have a usual way also said that in the future, there were not going to be any rules. The two other firms said they have no hard and fast rules in their approaches, except that they do require the use of their financial reporting systems. All four firms indicate that what they had learned over time is that flexibility is the best approach.

Discrimination skills. One higher-level learning technique is the ability to discriminate when a certain behavior or action is appropriate and when it is not. This is situational analysis. The researcher looked for certain decision rules for defining the attributes of the JVs that meant they would be treated one way versus another.

Three firms said they are flexible. One respondent said, "I would say that it's a case of being realistic. I think we are realistic in adjusting to the local situations."

Although the respondents indicate that the firms are becoming better at changing their management techniques based on the situation, the researcher found little evidence of this in three of the firms. The JV data and the interviews did not indicate any decision rules for segmenting the JVs into situations where one method would be used versus another. In C2, however, where there was a usual way for handling JVs, discrimination skills were required to determine when this usual way was appropriate.

Unlearning. Part of learning is unlearning and reframing past behaviors or success programs that are no longer appropriate. To determine if unlearning occurs, one must look for environmental jolts, mistakes or failures, critical incidents, or changes in the success programs or management systems. Table 2 summarizes the events mentioned by the respondents. Two categories, future conflicts and partner rapport, were identified within three firms as influencing their learning. Both of these concern maintaining a good partner relationship.

Insert Table 2 about here

Future Conflicts acknowledge that at formation, there may be mixed motives and hidden agendas by both firms. One firm formed a JV to have its products manufactured and marketed in a particular country. As time passed, the parent company acquired the skills necessary to market the product themselves--and they thought their skills were better than the JV's. This created a conflict.

What the firms learned is to accept that the JV's reasons-for-being may change over time and to recognize that they want to acquire their partner's skills over a period of time. One person said, "The only general learning is that you have to be very, very careful that you think of all the potential conflicts of interest. It's more likely in your core business, core countries, than on the fringe." It appears that when the firms had less JV experience, they believed that a JV was forever and that there would be minimal conflicts.

Issues relating to maintaining partner rapport were frequently mentioned. These were verbalized as "lessons" such as "You should treat your partners with 49% as if they were yourself," "Have the firm's president meet with top partners when he is travelling," and "The ventures have got to satisfy the real desires of both parties to be successful." These were seen as important as the firms learned to deal with the ambiguity of the JVs' futures.

Partner Choice is important because of the potential for conflict. The firms would not choose a partner with the same international aspirations as theirs because they would then meet them head-on somewhere. Also they have learned not to form a JV with people who want the JV as a way to save their own company, as a life buoy.

The two American firms view Technology Transfer as an area in which they made mistakes. They said that it takes experience to recognize that once you license your mature or stable technology, you sell your business and create a new competitor.

Cultural differences has been discussed in the literature as a problem in JVs because of country differences and firm differences (Wright, 1979). None of the firms mention this as a reason for a mistake or failure, although it was mentioned as important for getting along with your partner.

Innovativeness. Innovativeness indicates an ability to move away from the learned responses of the success programs and to experiment with new approaches. Table 3 summarizes the responses.

Insert Table 3 about here

It was expected that as firms gain JV experience, they would become more risk-taking as they grew comfortable with joint venturing. Three firms indicated that they were more risk-taking now. One respondent from the fourth firm said: "You take the decision that has the most pro's and con's and the best risk profile. So in this respect, we look at JVs like any other alternative." This last firm is also the firm that had the most flexible approach to JVs.

From analysis of the interviews, it became clear that two different kinds of risk were being discussed. The first was financial risk and indicates whether the firms would be willing to forego financial returns. Managerial risk, the second, represents giving up control over the JV decision-making or the technology. Taking a smaller equity position, licensing the technology, or participating in management were indications of this kind of risk.

This analysis shows that three firms would <u>not</u> forego financial returns or sacrifice profitability. If they foresaw that the JV might be a financial risk, they would not be involved. One person said, "Early on we didn't go into JVs because of profitability. I think today, we will not go into them unless they are going to be profitable. Early on we went for market share."

On the other hand, two firms indicate that they would take managerial risks. One person said, "We are willing to take risks by starting with a small equity position and expecting to increase our share over time." Another person from the same firm said, "As a large company, you must be willing sometimes to take a minority interest with a smaller partner." With the right partner, it is possible to take risks on the amount of the equity position.

The JV experienced firms reconfirm the importance of profitability since there is no reason to sacrifice profitability because you are in a JV. However, it is possible to take risks when you are referring to the management systems. Three firms are trying new ways of doing things. The new ways are such things as developing lateral communication links, being more open to different kinds of partner firms, licensing a technology that had been closely protected, or foregoing some control in order to get their "name" utilized.

Transference of learning. The respondents unanimously agreed that there was a transference of learning from multiple JV experiences, although some of it was indirect and informal. For example, the single-business firm, C4, found that "We were finding out, from experiences elsewhere in the world, that our partners are less interested in our business than we are: they had many other operations in other business areas. We slowly started to understand that we had to contribute much more to the management."

The transference takes place through the people and is influenced by the organizational structure. One respondent said: "The type of people you need in managerial/operational positions in a JV is different from the type of people you need in a wholly-owned subsidiary because they need more diplomatic qualities." These same people develop networks that serve to disseminate their experiences.

Insert Table 4 about here

The firms use their joint venture experiences as a credential which makes it easier for them to form new joint ventures. They are viewed as better partners and they have experienced people. One person said, "We now have a cadre of people well qualified to enter JV negotiations, well qualified to handle problems in JVs and that is the result of experiences that began in the 1950's."

Table 4 summarizes the methods used for the transference of learning, and it lists the topics that emerged from the interviews. The respondents recognize that top management in its role of overseeing all the joint ventures play an active role in sharing the lessons learned. Communication and socialization of managers become important methods for the transference of these lessons and norms.

LEARNING PATTERNS

The learning within the four firms was demonstrated in several ways. These firms have a high frequency of joint ventures and place importance on them as a means for implementing the firm's overall strategic direction. Joint ventures are recognized by each of the firms as a necessary condition for maintaining global competitiveness. Hence, these firms identify that JVs help them to reach their goals. The evidence of continued JV usage and of meeting strategic goals provides insight into the experienced gained and into the learning that occurred.

The organizational histories and statements by the management reveal how the firms learned. They are transmitted by the people, by the sharing of experiences, by the development of organizational stories, and by the development of management systems. The backgrounds of the individual managers reveal the extensive direct experience in the forming, managing, negotiating, and problem-solving with the JV partners and management. The upper-level management of these firms provide the medium for the transference of the learning.

What the firms learned from their JV experiences is somehow both unique and general. It is unique in the sense that each firm has its own unique characteristics and histories, and it is general in the sense that there exists some pattern to the learning that is generalizable across the firms. Listed below are several learning patterns that were gleaned from the interviews.

1. Routine success programs and management systems can be used successfully for joint venturing if the firm enacts its environment.

Firms that joint venture operate in the most complex of environments: not only are they dealing with environmental complexity in their home markets but also with cultural complexity and the environmental stress of multiple markets. Strategic management researchers appear to argue that in environments of high uncertainty and complexity, firms should attempt to operate with flexibility and in a decentralized mode (Lawrence & Dyer, 1983; Meyer, 1982). In this study we find that three of the firms are doing just that, namely, operating in a very flexible, decentralized manner.

Yet the fourth firm presents an alternative to this approach. It has maintained the use of its usual way of handling JVs by enacting the environment. It has chosen to set up JVs only in environments that meet certain criteria and then to use its success programs. It is operating under the same environmental conditions as the other firms but sets constraints on the elements that it considers as most important, namely, the partner firms, technology and extent of management involvement.

2. Initial decisions about licensing, equity position and management relations, although appropriate at the time they were made, frequently constrained choices and created conflicts later.

Since the firms were among the first to use JVs, they began cautiously without prior knowledge or experience or the ability to learn from their peers' experiences. Consequently, each developed comfortable ways or success programs for handling the JV management. These reflect the cultures and norms of the parent firms which were accepting of new cultures and management approaches.

Nonetheless, the initial reasons for the JVs and the original management systems became obsolete over time (Harrigan, 1985). Lyles (1986) documents how the desire for involvement and the desire for control change over time. The initial contracts, legal statements, or agreements focused attention on the wrong set of issues. This came as a surprise to the parent firms' management. It also created conflicts in their relationships with their partner firms. The firms in this sample learned to accept such changes as part of the nature of joint venturing and to recognize the need for continuing conversations with their partner firms.

3. The importance of partner rapport increased over time.

Many of the JVs that these four firms maintained were over 10 years old. In fact, some were over 20 years old. Then firms experienced industry changes, market maturation, and their own growth and development. Initially it did not seem that partner firms were closely investigated: they were chosen because they were known by the parent firms. Now however these partner firms are chosen for good business reasons. With time, the firms in the study have learned how to assess markets, partners, and potential contributions of partner firms.

There is the knowledge that JV management is difficult and time consuming and as a JV matures, it is harder to control (Prahalad & Doz, 1981). Therefore it is very important to have a good partner and to maintain a good relationship with that partner. Social relations with your partner remain important because they help to build trust into the relationship.

4. Management attitudes have changed over time from viewing JVs as a "choice" to a "necessary evil."

A widely held belief among researchers and practitioners is that if one wants to do business on a global scale, it is necessary to JV (Hout, Porter, & Rudden, 1982). The firms in this sample have learned that it is not easy to maintain a relationship over time and that it takes more time than a wholly owned subsidiary. Joint venturing is still uncomfortable: it is particularly difficult for the American firms to loosen their grip on management controls (Lyles & Reger, 1987).

5. The complexity, uncertainty, and ambiguity of JVs is still uncomfortable for the firms, but more accurate knowledge of the future probability of certain events has come with experience.

With the growth of their experience base, the firms have begun to identify certain events that may occur during a JV's life. For example, these firms have learned that partners may acquire their partners' skills, that partner firms may be merger targets and may change hands, and that technology can be a valuable asset in joint venturing. With this increased knowledge, these JV experienced firms are better able to anticipate major issues and how to handle them.

6. The development of higher-level learning spread to all levels of the organization.

The organizational learning was incorporated into the respondents' statements and was evident in the belief systems, the norms, and the value espoused. Joint venturing was an accepted norm of doing business. All four firms sought to increase their global competitiveness by introducing an marketing their products, technologies, and name recognitions abroad. Joint venturing was one acceptable method for doing this.

Good partner rapport was an accepted value. It is extremely important because each firm has to have the reputation of being a good partner. The world is getting smaller, and the partner firms within an industry generally know each other. A firm has to have the reputation of being competent but also compassionate and trusted. Fairness in negotiations and recognition of their partners' own competence became essential norms for the managers dealing with JVs. These were learned attributes of the JV experienced firms.

STRATEGIC IMPLICATIONS

This paper has addressed the learning that has occurred in JV sophisticated firms. We have pointed out some of the learning patterns that emerged and the nature of the higher-level learning patterns. The firms have built upon their experiences and maintained flexibility in their approaches to JVs. This has resulted in multiple experiences, successes, experimentations, and failures that has led to the richness of their own corporate histories and schemata. It creates a depth to the organization that transcends highly decentralized organization structures. It reaffirms that the experiences, beliefs, and norms are transmitted through the people and management of the firms (Martin, 1982).

The JV experience of these firms may be viewed as a "window of opportunity" for increasing their global competitiveness. It creates a competitive advantage for them by establishing their presence worldwide, by giving them information about operating in various countries and about environmental events, and by the development of a skill base that has prior knowledge of the likelihood of certain events. This increases their strategic capabilities and provides them a competitive advantage (Jemison, 1986; Lenz, 1980). It provides them power and influence.

The firms recognize that the quality of their partner relationships may be just as important as the JV mission since they may affect the firm's corporate global strategy (Thorelli, 1986). This provides them a sense of cautiousness and patience. It provides them a motivation to develop their reputations as trustworthy bedfellows, which allows them to influence others. It provides them a strategic advantage over firms with less experience.

The strength of this study lies in the in-depth nature of the investigation of each firm. However, it is only the first step in analyzing the importance of learning as a strategic capability. Future investigations need to address whether the learning patterns are useful to other firms and whether the learning process can be further analyzed.

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APPENDIX I

DESCRIPTION OF FIRMS

COMPANY	GROSS SALES	MAJOR LINES OF BUSINESS
C1	$7.1 BILLION	CHEMICAL PRODUCTS, COATINGS, PHARMACEUTICALS, CONSUMER PRODUCTS, MISC. PRODUCTS.
C2	$6.3 BILLION	AIR CONDITIONING, CHEMICAL AND PLASTICS, INDUSTRIAL PRODUCTS, FINANCIAL SERVICES, PROTECTIVE SERVICES, TRANSPORTATION EQUIPMENT.
C3	$3.5 BILLION	INDUSTRIAL CHEMICALS, PETROLEUM EQUIPMENT, DEFENSE EQUIPMENT, PERFORMANCE CHEMICALS, SPECIALIZED MACHINERY.
C4	$2.0 BILLION	BREWING, SOFT DRINKS, WINE.

APPENDIX I (continued)

CORPORATE CHARACTERISTICS

CHARACTERISTICS	C1	C2	C3	C4
Corporate Structure	Worldwide Products Overseen by Regional General Managers	Worldwide Products	Worldwide Products Interface with International Department	Regional General Managers
Culture	Entrepreneurial	Protective	Introspective	Introspect
Management Approach	Decentralized	Centralized	Decentralized	Centralize
JV Motivations	Diverse	Sell Technology Get Royalties	Sell Technology Get Market	Sell Techo Get Market
Current Pace of JV Formation	Steady	Slowed	Slowed	Steady
Definition of JV Success	Profitability and Operating Ease	Profitability	Profitability and Operating Ease	Stability and Performanc
JV Industries	Mature	Mature	Mature	Mature
Areas of JV	Main Business Area	Main Business Area	Main Business Area	Main Busin Area

TABLE I

PROFILE OF JV APPROACHES

Decentralized	C1	C3	C4	C2	Centralized
Did Not Want Management Control	C2	C1	C3	C4	Wanted Management Control
Treated Each JV In A Similar Way	C2	C3	C4 C1		Treated Each JV Differently
Received Technology	C1	C2 C3 C4			Licensed Own Technology
Will Take Minority Equity Position	C1 C2 C4	C3			Wanted Equity Control
Partners' People In Management	C2	C4 C1 C3			Wanted Own People In Management
Undeveloped Discrimination Skills	C1 C2 C4	C2			Developed Discrimination Skills

TABLE 2

UNLEARNING/MISTAKES

TYPES	FIRMS			
	C1	C2	C3	C4
BUILDING IN FUTURE CONFLICTS	X		X	X
PARTNER RAPPORT ISSUES	X	X		X
TECHNOLOGY TRANSFER ISSUES		X	X	
CULTURAL ISSUES				
HUMAN RESOURCE			X	
FUTURISTIC ISSUES	X	X		
EQUITY ISSUES				X
PARTNER CHOICE				X

TABLE 3

INNOVATIONS: TAKING RISKS

MORE RISK-TAKING	FIRMS C1	C2	C3	C4
YES		X	X	X
NO	X			

TAKING FINANCIAL RISKS	C1	C2	C3	C4
YES		X		
NO	X		X	X

TAKING MANAGERIAL RISKS	C1	C2	C3	C4
YES	X		X	X
NO		X		

TABLE 4

TRANSFERENCE OF LEARNING

METHODS OF TRANSFERENCE	FIRMS			
	C1	C2	C3	C4
TOP MANAGEMENT OVERSEEING PROCESS	X	X	X	X
INTERNATIONAL OPERATIONS			X	
TRAINING AND SOCIALIZATION			X	X
DIRECT MANAGEMENT JV EXPERIENCE		X	X	X
MANAGEMENT NETWORKS	X	X		
TOPICS	**C1**	**C2**	**C3**	**C4**
GEOGRAPHIC/CULTURAL KNOWLEDGE			X	X
DEVELOPMENT OF PARTNER RELATIONS	X	X	X	X
MANAGEMENT SYSTEMS		X		
INTERRELATEDNESS OF JVs		X	X	X
JV NEGOTIATION/MANAGEMENT SKILLS				X
TIME ORIENTATION (LONG/SHORT)	X			X

FIGURE I

LEARNING FRAMEWORK